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SECURITY INFORMATION

CENTRAL INTELLIGENCE AGENCY

OFFICE OF RESEARCH AND REPORTS

21 November 1951

INTELLIGENCE MEMORANDUM NO. 360

SUBJECT: Analysis of Beriya's Official Speech on the Soviet Economy
on the 34th Anniversary of the Socialist Revolution, 1951

Summary and Conclusions

The economic gains made by the Soviets in 1951 (projected for the first 10 months), as reported by Lavrentiy P. Beriya, Politburo member and former Chief of the Secret Police (MVD), in his official speech on the 34th anniversary of the "Great October Socialist Revolution," may be summed up generally by his statements "that the national economy plan for 1951 will be fulfilled and exceeded" and that "industrial production as compared with last year has increased by more than 15 percent and will be double the pre-war 1940 production." He stated further that the increase in production in the basic industries is 12 percent.

The increase in production has been attributed largely to improvement in technical equipment, which in turn has made possible an increase in productivity of labor (by which the Soviets probably mean output per worker per unit time).

The Beriya speech shows that the Soviets have a 1951 Plan despite the fact that no fifth Five Year Plan has been published as yet. The progress in industrial production made under this Plan, as reported by Beriya, is consistent with that made in recent years and in general is in line with independent estimates or may be reconciled with them by certain interpretations.

Some claims appear to be exaggerated and no doubt are intended to mislead but, if properly analyzed, may be interpreted as future plans.

The somewhat bombastic statements of the Soviets in comparing their production with that of Western Europe and other countries where they can show an advantage may be true, but these statements are misleading because they omit comparison with the US, with regard to which their production of petroleum is about one-seventh, their electric power output about one-quarter, and their steel output less than one-third.

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1. Introduction.

The economic gains made by the Soviets in 1951 (projected for the first 10 months), as reported by Lavrentiy P. Beriya, Politburo member and former Chief of the Secret Police (MVD), in his official speech on the 34th anniversary of the "Great October Socialist Revolution," may be summed up generally by his statements "that the national economy plan for 1951 will be fulfilled and exceeded" and that "industrial production as compared with last year has increased by more than 15 percent and will be double the pre-war 1940 production." He stated further that the increase in production in the basic industries is 12 percent.

The increase in production has been attributed largely to improvement in technical equipment, which in turn has made possible an increase in productivity of labor.

2. Summary of Production of Selected Basic Items.

The following table has been compiled from the available data on a few basic items to illustrate the gains that have been made:

Production of Selected Basic Items in the USSR

<u>Source</u>	<u>Raw Steel (Million Metric Tons)</u>	<u>Electric Power (Billion Kilowatt-hours)</u>	<u>Petroleum (Million Metric Tons)</u>
Beriya, 1951 Soviet Claims	31.3	104.0	42.0
1950 Soviet Claims (Bulganin)	27.3	90.0	37.5
1940 Base	18.3	48.2	31.0
1950 Plan	25.4	82.0	35.4

Examination of these data in the light of Soviet claims shows that for the three basic items, steel, electric power, and petroleum, the increased production of 12 to 15 percent for these items in 1951 over 1950 is correct as based on Soviet official figures for both years. Moreover, current CIA

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figures on these items, while somewhat lower, may be reconciled with Soviet data when interpreted from certain points of view.

The Soviet claim of double the prewar 1940 production, however, cannot be substantiated (except for electric power) if it is applied to the production of the major basic items, although it could apply to some items, such as synthetic rubber. On the other hand, it can be demonstrated that if this claim is applied to ruble value (estimated by selected 1926-27 prices and by some manipulation of the data), the statement may be proved. The 1940 production in ruble value was 138.5 billions, or 277 billions of rubles when doubled, which is in line with Beriya's statement.

The 1951 gross industrial production figure (expressed in 1926-27 rubles and indicating a gain of 200 percent of 1940 and 115 percent of 1950 production) is an inadequate barometer of industrial activity. This 1951 figure contains a substantial upward bias resulting from two factors: (a) 1926-27 prices are used as weights for all items whose initial production occurred earlier than 1926-27, and (b) prices for the first year of production are used as weights for all items whose initial production occurred after 1926-27. In both cases, these prices are, in general, higher (relative to prices of nonindustrial commodities) than prices for subsequent years.

In any event, substantial gains in industrial production have been made by the Soviets.

3. Credibility of Certain Soviet Claims.

Careful analysis of each of the Soviet claims regarding production shows that in spite of the apparent evidence to the contrary, they have not in the broad sense exaggerated their figures. But the claim that 1951 production will be double that of 1940 raises at the outset the question of whether the Soviets are attempting to mislead or to exaggerate. Their language is so adroitly chosen that it can readily mislead the unskilled or the unwary, as no doubt is intended. Moreover, one must penetrate certain of their cryptic or ambiguous statements to get at their real meanings. Their technique no doubt serves the purpose of propaganda for their own people. At the same time, they are able to present factual data on major items which can stand direct examination. In addition, many, if not most, of these ambiguous statements afford the Soviets a loophole -- if indeed they feel that they need one. This question of ambiguous and misleading statements will be further illustrated by other examples below in the analysis of their cryptic statements.

The Soviets no doubt believe that a direct presentation of some of their industrial gains is a basis for justifiable pride, particularly with respect to increases in the production of such major items as steel (also pig iron and

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rolled steel), crude oil, and electric power. For 1951, in contrast to 1950, output of these items is given in direct figures instead of cryptic percentage increases. The Soviets state that they have achieved an increase of about 4 million metric tons of steel and an increase of 4.5 million metric tons of crude oil for 1951 over 1950. The claim that production of 60 million metric tons of crude oil a year (the goal set by Stalin in 1946 for 1960) will be reached ahead of schedule appears to be amply justified. Electric power production also is given as a direct figure of 104 billion kilowatt-hours for 1951. These claims, as pointed out above, may be reconciled with current CIA figures on these items when interpreted from certain points of view. There apparently is no attempt at evasion in the Soviet claims with respect to any of these three items. Soviet figures for pig iron and rolled steel are in line with their estimated raw steel production and with previously published official figures.

The Soviet statement that electric power production exceeds the combined output of electric power in the UK and France is justified by the facts, but it is noticeable that the Soviets do not state that it is about one-quarter of the power output of the US. Similarly, the somewhat boastful claim of the Soviets that the USSR is now producing roughly as much steel as the UK, France, Belgium, and Sweden together, based on the Soviet 1951 estimate, is essentially correct, but the Soviets do not include the statement that they are producing somewhat less than one-third of US steel production.

4. Other Claims Made by the Soviets.

a. Coal.

The claims of the Soviets that "the USSR coal industry today not only meets the requirements of our country but also has insured the creation of the necessary reserves" are conservative and no doubt can be substantiated in all respects with the one possible exception of an immediate supply of a suitable quality of coking coal for all of their expanding and future needs.

b. Transportation.

The increase of 11 percent in railroad freight turnover and the claimed increases in river and sea transport appear to be justified by the available data. The 1950 plan of 532 billion ton-kilometers for freight turnover was substantially exceeded in that year, and continued progress appears to be in evidence. On the basis of over 600 billion ton-kilometers actually performed in 1950 and of the claimed 1951 increase of 11 percent in railroad freight turnover, the Soviet boast that the increase almost equals the annual freight turnover of the UK and France falls short of the mark by about 15 percent.

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c. Building and Construction.

Building and construction generally have lagged in the USSR. The failure to meet the planned output quota is due partly to shortages of mechanical equipment. The major cause, however, is lack of emphasis on this program as compared with other industries.

It is believed that cement, brick, and ceramic pipe production in 1951 will be greater than in 1950, as there are ample supplies of raw materials available in the USSR for these products. However, an increase of 2 million tons of cement in 1 year, as claimed by Beriya, does not seem to be probable.

Beriya stated that "our builders have achieved certain successes in reducing the cost and the time of construction." But despite claims of increased availability of materials and machinery, the Soviets tacitly admit their backwardness in building and construction in Beriya's further statement: "However, there is still much they have to do. First of all, the organization of work in building sites should be put in proper order, building machinery should be used more productively, work should be better organized and overhead expenditures sharply reduced. Unnecessary expenditure which makes the cost of building more expensive and which is still contained in projects and estimates should be removed."

d. Consumer Goods.

Statements about increased production and availability of consumer goods generally are in line with quarterly USSR reports on the same subject. They appear to indicate a substantial increase in the standard of living, but actually this is not the case.

The percentage increases reported for consumer goods reflect production to meet the needs of gradual increases in urban population, and the data reflect nonfarm consumption as well as changes in the marketing of consumer goods to government-operated stores. The actual increase of consumer goods as reported, if calculated on a per capita basis, might not even be apparent.

In general, while some advances may have been made by the Soviets during 1951, their standards of living are still very low in comparison with the West.

e. Technological Advances.

Technological advances in the chemical industry are specifically referred to but are not disclosed except in terms of increased production, principally of fertilizers, insecticides, and synthetic rubber. Beriya states that

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the latter is to be increased by 20 percent over last year, making a total of 296,000 metric tons according to Soviet official data. While this claimed synthetic rubber production is greater than current CIA estimates, even the latter indicate more than double prewar production. Nothing is said about improvement in the quality of synthetic rubber, which is important from the point of view of technological advances.

A similar qualitative question also may be raised about the machine-building industry with regard to types. An increase of 21 percent in total output is claimed over last year, and this does not appear unreasonable from the available evidence.

The Soviet claim that a steam turbine, now under construction, "of a power of 150,000 kilowatts never before produced in the world," is relatively minor, and the statement is incorrect, as there are at least several in the US exceeding this size. Moreover, a 200,000-kilowatt turbine is now under construction for the Philadelphia area.

The most important Soviet technological advance, judging from the results reported, appears to be in the production of steel, in which it is claimed that the Soviets are exploiting their "blast furnaces in a more productive way" and that "on account of this alone in 1951 an additional 1.35 million metric tons of steel will be produced." Thus, if the claims are true, one-third of this year's increase in steel production has been produced without the building of new blast furnaces and the expenditure of steel which would otherwise have been necessary.

f. Gains in Productivity of Labor.

The claim that productivity of labor (by which the Soviets probably mean output per worker per unit time) in industry was raised by 10 percent appears to be acceptable, as is the reported growth of population, showing a net increase of approximately 3 million per year. The Soviets recognize that increased productivity of labor is intimately tied in with improvement in technical equipment and skills of the workers as well as with organization of production. Moreover, they state that these factors have made it possible to increase productivity of labor and thus to account for almost two-thirds of the increase in industrial production. However, the Soviet method of measuring productivity of labor shows a substantial gain that may be misleading. Beriya does not distinguish changes in productivity of labor resulting from two different sets of factors: (1) changes in the capital equipment-labor ratio and (2) changes in the efficiency of labor with a fixed capital equipment-labor ratio. The Soviet statement about the education of technicians and specialists and about higher education has been substantiated generally by CIA estimates.

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5. Other Cryptic Factors in Beriya's Speech.

No definite production claims were made in connection with the so-called "upsurge in agriculture," but the implications of such increased production as might be inferred from the Soviet statements are most important. The statement that the gross harvesting of grains in the past few years has exceeded 7 billion poods ^{1/} annually figures out at about 115 million metric tons gross or biological yield, or about 92 million metric tons net in barn, using the usual loss figure of 20 percent from gross yield to net. These claims may have no definite meaning for current production, because they cover a number of years, and the relationship based on Soviet claims between gross and net yields is somewhat obscure. For example, last year Bulganin claimed 124 million metric tons, or 100 million metric tons net, based on a 20-percent loss. Current CIA estimates, as well as averages for the past several years, are somewhat lower than Soviet claims, probably indicating that loss factors are larger than those shown or that claims based on gross yields are exaggerated. The statement also is made that "the extension of irrigated areas and water supply to the fields will make it possible to produce ... half a billion poods more wheat" a year. This would amount to 106.6 million metric tons (net in barn on the basis of a 20-percent loss factor) for 1951 had the plan been implemented. If accepted as applied to current production, however, the statement would be misleading.

Of still greater significance in connection with possible attempts to mislead is the Soviet statement that "the extension of irrigated areas and water supply" to cotton would result in the "production of 3 million tons of raw cotton more per year." Had this been implemented in 1951, the Soviet claimed production for 1950 would be doubled. This statement is grossly misleading if accepted at face value as an accomplished fact. If the statement that the USSR will produce more cotton than India, Pakistan, and Egypt combined is used as an estimate of 1951 production, it would mean, according to the Soviet claims, that they will produce at least 3.75 million metric tons of raw cotton, a gain of 0.75 million tons over last year. This would be much more in line with actual production than doubling the yield. Similar claims are made with respect to other agricultural products.

The increase reported in the socialized herds owned by collective farms and state farms does not necessarily represent an actual increase in total livestock numbers but is largely due to change in ownership because individual owners have been forced to sell their livestock to the collective farms as a whole. The main obstacle to substantial increases in actual numbers of livestock is the acute shortage of livestock feed.

1. One pood equals 36.113 pounds.

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The increase in agricultural mechanization should result in a greater productivity per worker. So far in the USSR the rate of increase in productivity per farm worker as a result of increased farm machinery has been considerably slower than in the US.

The section of the Beriya speech referring to potential increases in crop and livestock production from the extension of irrigated areas and water supply assumes the early completion of very large-scale construction projects. The completion of such projects on schedule is hardly likely in view of the difficulties of the projects themselves, the unrealistic timetable established for the various phases of the construction work, and the high improbability of such large increases in crop production. Large increases in crop production in general have been a perennial problem to the Soviets.

As another example of a cryptic claim, the following statement by Beriya might be interpreted to show an increase in oil refining capacity during 1951 of 6 million tons per year, or about 14 percent of the required capacity as estimated from present crude production. Beriya stated: "Work for the building and expanding of oil refineries has developed on a large scale. New works equipped with first-class Soviet techniques which began to work this year can by themselves process 6 million tons of oil yearly." The question arises here as to whether work was begun on construction of these plants in 1951 or whether they have already begun to operate at this capacity. The former conclusion seems much more reasonable in view of an over-all estimate of the situation. Similar claims less obscure and important are made on several other items.

The Beriya speech shows that the Soviets have a 1951 Plan despite the fact that no fifth Five Year Plan has been published as yet. The progress in industrial production made under this Plan, as reported by Beriya, is consistent with that made in recent years and in general is in line with independent estimates. Apparently misleading and exaggerated claims, if properly analyzed, may be interpreted as future plans. The somewhat bombastic statements of the Soviets in comparing their production with that of Western Europe and other countries where they can show an advantage may be true. These statements are misleading, however, because they omit comparison with the US, with regard to which their production of petroleum is about one-seventh, their electric power output about one-quarter, and their steel output less than one-third.

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